

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF NORTH EAST)	CASE NO.
GAS COMPANY)	91-376

O R D E R

On October 3, 1991, Clatis Walker of Olive Hill, Kentucky, filed a complaint with the Commission's Consumer Services Branch regarding a notice from North East Gas Company ("North East") that his gas service would be discontinued October 28, 1991. Mr. Walker requested that the Commission investigate North East's proposed action.

North East is a subsidiary of Magnum Drilling of Ohio ("Magnum"), which is a gas production and gathering company providing service to Mr. Walker and others pursuant to KRS 278.485 (farm tap service). According to North East, it proposes to abandon a portion of the T-2 pipeline from which Mr. Walker and two other customers receive gas service.

The T-2 pipeline was purchased by Magnum in 1991 from Inland Gas Company ("Inland"), an interstate pipeline company, in addition to other pipelines and facilities and service to 99 existing farm tap customers. Magnum and Inland met with Staff several times regarding the proposed sale. During these meetings, Magnum assured Staff that upon assuming ownership it would maintain service to all farm tap customers previously served by Inland from the pipelines being purchased.

The pipelines purchased by Magnum were considered jurisdictional to the Federal Energy Regulatory Commission because Inland operates as an interstate pipeline company. Magnum's stated intentions were to operate the pipelines as a gas gathering pipeline system pursuant to provisions of KRS 278.485. Therefore, Magnum's purchase of the Inland facilities described herein did not require prior Commission approval.

An informal conference was held on November 14, 1991, and the customers appeared represented by counsel, Michael B. Fox. North East was represented by James Large, president. During the conference, Mr. Large explained that prior to purchasing Inland's facilities, North East had not actually inspected the portion of the T-2 pipeline from which the three customers receive gas service. Therefore, North East was unfamiliar with the condition of the pipeline or the small number of customers on this six-mile section of the T-2 pipeline. According to Mr. Large, the principal reason for abandonment of this portion of the pipeline is the cost to operate and maintain six miles of pipeline relative to the limited number of customers served from it.

During the conference, the affected customers stated that other residents in the general vicinity should be considered potential customers and are interested in applying with North East for service. However, since the conference North East has received no additional requests for service from customers in this area, and it is unclear whether any of these residents would meet the conditions for service under KRS 278.485.

On April 22, 1992, North East advised the Commission that in May 1992 it would be abandoning that portion of the T-2 pipeline from which Mr. Walker and two other residents are provided service.

After consideration of the record in this proceeding and being otherwise sufficiently advised, the Commission finds that:

1. North East is a subsidiary of Magnum, which is a gas pipeline company providing gas service to customers pursuant to KRS 278.485.

2. Mr. Walker and two other customers are provided service by North East via the T-2 pipeline, a gathering pipeline previously owned by Inland and purchased by Magnum.

3. KRS 278.485(6) states in part:

Nothing in this section shall be construed to restrict the right of any gas pipeline company to abandon any gas well or any gathering pipeline, or any part thereof, and to remove any such abandoned pipeline or lines.

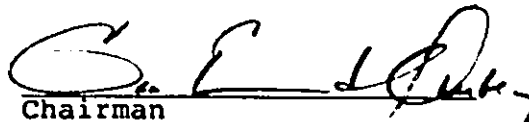
IT IS THEREFORE ORDERED that:

1. Within 6 months from the date of this Order, North East shall notify the Commission's Gas Pipeline Safety Branch that a portion of the pipeline has been removed to render the pipeline inoperable.

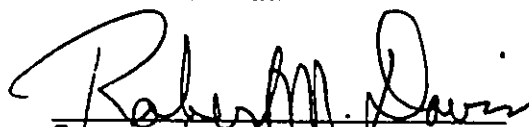
2. This investigation shall be and hereby is closed.

Done at Frankfort, Kentucky, this 22nd day of May, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director